

Washington State Department of Retirement Systems

Funds of the State of Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2002

Prepared by the Washington State Department of Retirement Systems

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Department of Retirement Systems

Guiding Principles

1

We will treat our customers and each other with respect, fairness, honesty, and consistency.

2

We will communicate openly and considerately.

3

We will foster a climate in which innovation, initiative, and accountability are expected and supported.

4

We will work with our customers to improve our responsiveness in meeting their needs.

5

We will maximize the use of technology and emphasize user-friendly interface.

Table of Contents

Introductory Section

Message from the Director.....	9
Department of Retirement Systems' Organization	10
Pension System Roles and Responsibilities.....	11
Letter of Transmittal	16
Government Finance Officers' Association Certificate of Achievement for Excellence in Financial Reporting	21
Overview of Agency Operations.....	22
2002 Washington State Legislative Actions	24

Financial Section

Independent Auditor's Report.....	29
Management's Discussion and Analysis	30

Basic Financial Statements (BFS)

Statement of Plan Net Assets—Pension and Other Employee Benefit Trust Funds by Plan...	35
Statement of Changes in Plan Net Assets—Pension Trust Funds by Plan	39
Balance Sheet/Statement of Net Assets—Special Revenue Fund	43
Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities—Special Revenue Fund.....	44
Notes to the Financial Statements	
Note 1: Summary of Significant Accounting Policies and Plan Asset Matters.....	45
Note 2: General Description of the Retirement Systems	54

Required Supplementary Information

Schedules of Funding Progress.....	69
Schedule of Contributions from Employers and Other Contributing Entities.....	71
Notes to the Required Supplementary Information—Defined Benefit Pension Plans.....	72

Supporting Schedules

Schedule of Administrative Expenses.....	74
Schedule of Investment Expenses—Pension Trust Funds.....	75
Schedule of Payments to Consultants.....	76
Statement of Changes in Assets and Liabilities—Dependent Care Agency Fund.....	77

Investment Section

Report On Investment Activity	81
Summary of Investment Policies	83
Schedule of Investment Management Fees and Commissions	85
Broker Equity Volume and Equity Commissions Paid	86
Summary of Investments Owned—Pension Trust Funds	91

Actuarial Section

State Actuary's Certification Letter.....	99
Summary of Plan Provisions.....	102
Summary of Actuarial Assumptions and Methods.....	103
Additional Actuarial Schedules	
Schedules of Active Member Valuation Data	112
Schedules of Retirees and Beneficiaries Added to and Removed from Rolls	115
Solvency Tests.....	118
Analysis of Selected Experience	122

Statistical Section

Distribution of Membership.....	127
Schedules of Additions to Plan Net Assets by Source and Schedules of Deductions from Plan Net Assets by Type	128
Schedules of Benefit Recipients by Type of Benefit	133
Schedules of Average Benefit Payments to Service Retirees in Year of Retirement	138
Schedules of Benefit Expenses and Refunds by Type	148
Employers Covered by DRS-Administered Retirement Systems	152
Deferred Compensation Program and Dependent Care Assistance Program	
Background.....	163
What is DCP?.....	163
What is DCAP?.....	163
Deferred Compensation Program Status Report	164
Deferred Compensation Program—Performance	165
Deferred Compensation Program—Net Investment Asset Growth	166
Deferred Compensation Program—Participation	166
Dependent Care Assistance Program—Participation Report.....	167

Introductory Section

Message from the Director

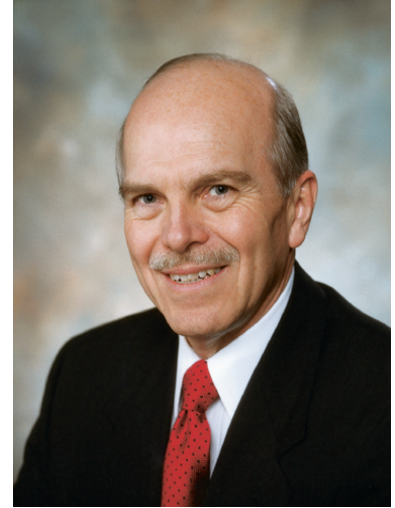
I am pleased to present the Department of Retirement Systems (DRS) 2002 Comprehensive Annual Financial Report. This report provides an overview of our services, retirement plan highlights and detailed funding and investment information. We take pride in assuring accurate, detailed accounting and the highest level of integrity regarding financial transactions.

The vision of DRS is "Delighted customers, proud staff." Our strategy is to continue to introduce advanced technologies designed to increase our capabilities to produce the results our customers expect and deserve. Our staff are proud of the services they provide.

Survey results and comments express how much our customers appreciate the enhancements we have implemented in recent years. At the same time, we are doing everything we can to operate as efficiently as possible, so all Washington citizens can be assured they're getting the best value for every dollar that goes into our operations. An external study of public retirement administrations confirmed that the pension administration is one of the most cost effective in the nation. Our costs are very low when balanced against the high levels of program complexity.

At DRS, we focus resources and activities on providing effective services now and in the future. With each new solution implemented, our ability to provide accurate and timely information improves. For example, members can register for a retirement seminar any time of the day or night using our online, automated E-forms or use the Online Retirement Benefit Estimator (ORBE) available on our Web site to calculate projected retirement benefits. Additionally, Web based programs for employers, such as the online Employer Audit Program and Member Status Verification, help to assure that DRS is receiving accurate information. Through energy and innovation, we are working hard to make our vision a successful reality.

If you have questions or would like additional information, please contact the agency at P.O. Box 48380, Olympia, WA 98504-8380, or call toll-free at 1-800-547-6657. In the greater Olympia area, call 664-7000. Our Web site is available 24 hours a day, seven days a week, and is located at www.wa.gov/drs.



John F. Charles

We look forward to serving our members in 2003.

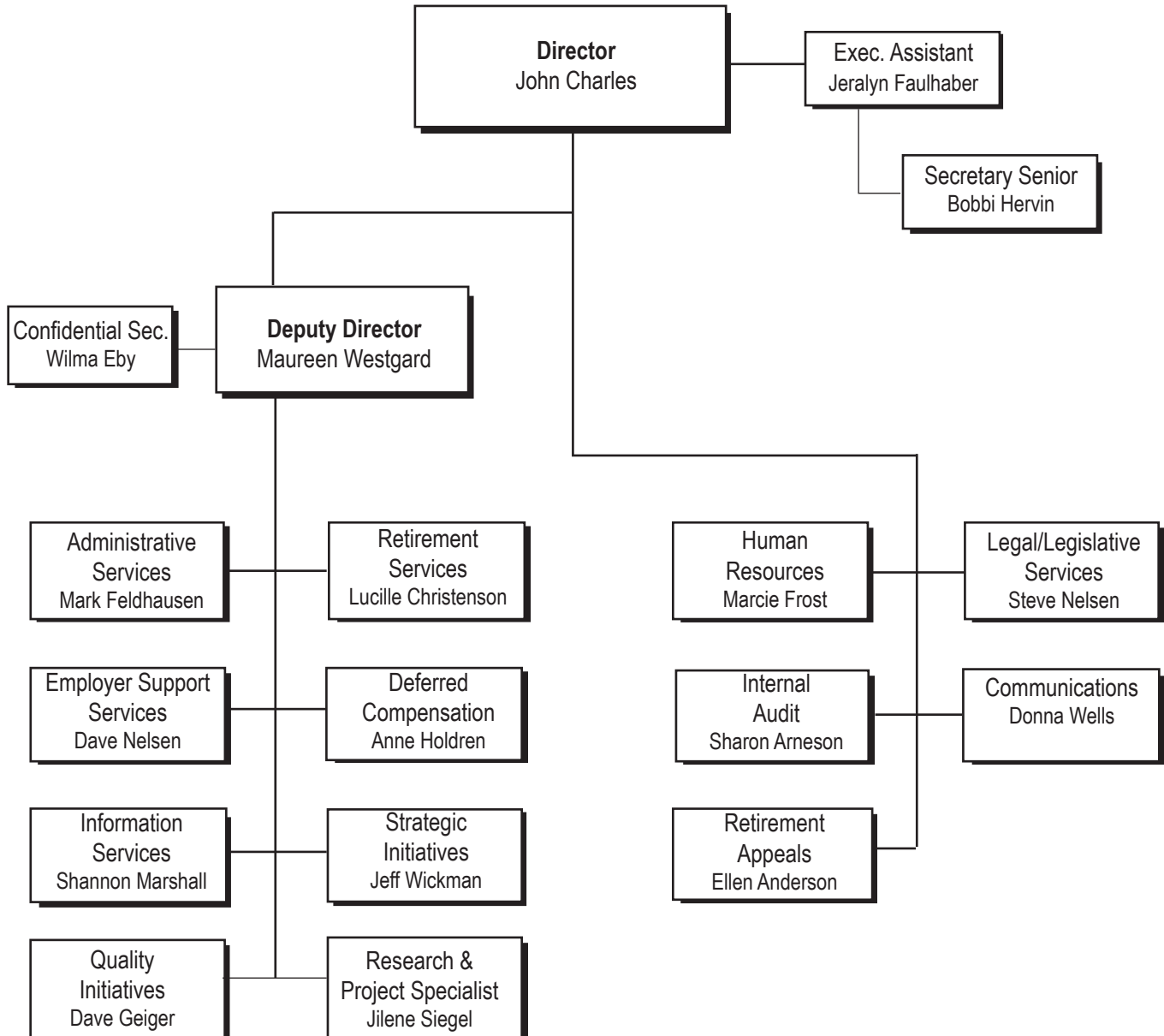
Sincerely,

A stylized, handwritten signature in black ink, consisting of a large, sweeping 'J' followed by a series of connected loops and a long horizontal stroke extending to the right.

John F. Charles
Director

Department of Retirement Systems' Organization

June 2002



Pension System Roles and Responsibilities

Department of Retirement Systems (DRS)

Collects and accounts for employer and employee contributions; maintains retirement records; pays benefits; communicates pension information; provides investment education; and administers the Deferred Compensation and Dependent Care Assistance Programs.

The governor appoints the director of DRS.

P.O. Box 48380, Olympia, WA 98504-8380

Telephone: (360) 664-7000, in Olympia, or toll-free at 1-800-547-6657

Web site: www.wa.gov/DRS/drs.htm

Legislative Fiscal Committees

Review and report on retirement bills to the full legislature.

The legislative fiscal committees are the House Appropriations Committee and the Senate Ways and Means Committee.

House Appropriations Committee

P.O. Box 40600, Olympia, WA 98504-0600

Telephone: (360) 786-7573 or toll-free 1-800-562-6000

(Legislative Hotline)

Web site: www.leg.wa.gov

Senate Ways and Means Committee

P.O. Box 40482, Olympia, WA 98504-0482

Telephone: (360) 786-7715 or toll-free 1-800-562-6000

(Legislative Hotline)

Web site: www.leg.wa.gov

Joint Committee On Pension Policy

Studies pension issues and retirement finances. Develops pension policies and recommends pension legislation.

The Joint Committee on Pension Policy is a bipartisan standing legislative committee composed of eight senators and eight representatives.

Committee Membership

(June 30, 2002)

Senators

Don Carlson (Chair)
Harold Hochstatter
Karen Fraser
Harriet Spanel
Ken Jacobsen
Debbie Regala
Linda Evans Parlette
Shirley Winsley

Representatives

Gary Alexander
Glenn Anderson
Steve Conway (Vice Chair)
Jerome Delvin
Mike Cooper
Bill Fromhold
Cheryl Pflug
Geoff Simpson

P.O. Box 40914, Olympia, WA 98504-0914

Telephone: (360) 753-9144

Pension Funding Council

Adopts economic assumptions for pension funding and member and employer pension contribution rates for PERS, SERS, TRS, LEOFF and WSPRS.

Membership consists of the directors of DRS and Office of Financial Management, and the Chairs and Ranking Minority Members of the Senate Ways and Means Committee and House Appropriations Committees.

Council Membership

John Charles—Director, Department of Retirement Systems, Chairperson
Marty Brown—Director, Office of Financial Management
Senator Lisa Brown—Chair, Ways and Means Committee
Senator Dino Rossi—Ranking minority member, Ways and Means Committee
Representative Barry Sehlin—Co-chair and ranking member, Appropriations Committee
Representative Helen Sommers—Co-chair and ranking member, Appropriations Committee

Can be contacted through DRS. See information on preceding page.

Office of Financial Management

Advises the governor on pension and funding policies and issues.

The governor appoints the director of OFM.

P. O. Box 43113, Olympia, WA 98504-3113

Telephone: (360) 902-0555

Web site: www.ofm.wa.gov

State Investment Board

Invests and accounts for pension funds. The Board consists of nine voting members.

Membership consists of the director of DRS; the state treasurer; the director of Department of Labor and Industries; a state senator; a state representative; an active member of PERS, LEOFF and TRS; and a retired member of one of the seven systems.

Board Members

(Voting Members, June 30, 2002)

John F. Charles (Chair)
Director, Department of Retirement Systems

Lee Ann Prielipp (Vice Chair)
Representative of TRS

Patrick McElligott
Representative of LEOFF

Michael J. Murphy
State Treasurer

Gary Moore
Director, Department of Labor and Industries

Senator Sid Snyder

Representative Helen Sommers

Vacant
Representative of PERS

George Masten
Representative of Retired Members

Board Members

(Nonvoting Members, June 30, 2002)

Robert S. Nakahara
Investment Professional

Jeffrey Hanna
Investment Professional

Charles A. Kaminski
Investment Professional

John Magnuson
Investment Professional

Jeffrey Seely
Investment Professional

P.O. Box 40916, Olympia, WA 98504-0916

Telephone: (360) 664-8900

Web site: www.sib.wa.gov

Office of the State Actuary

Acts as an advisory agency to the legislature and director of DRS. Performs actuarial studies and reports on retirement bills. Creates formulas used to compute benefit payment adjustments that are based on early retirement, cost-of-living or long-term survivor benefits.

The State Actuary is appointed by the Joint Committee on Pension Policy.

P.O. Box 40914, Olympia, WA 98504-0914

Telephone: (360) 753-9144

Employee Retirement Benefits Board

Provides recommendations to the State Investment Board on self-directed investment options for defined contribution plans; determines the payment options available for Plan 3 members; approves administrative charges assessed to members who participate in self-directed investment options; and provides recommendations on investment options for the Deferred Compensation Program. Board members are appointed by the governor. As of June 30, 2002, the board members were:

Board Chairperson

- John F. Charles—Director, Department of Retirement Systems

Representing experience in defined contribution plan administration:

- Kathy Grimm—Director of Client Services, Russell Investment Group
- Al Symington (Vice-Chair)—CEO, Pope Resources

Representing Public Employees' Retirement System members:

- Dr. Robert Lenigan—Psychologist/Program Coordinator,
Western State Hospital
- Claude Burfect—DSHS/Fircrest School
- Gene Otis—Retired

Representing Teachers' Retirement System members:

- Dr. Alison Olzendam—Middle School Principal, Mead School District
- Herbert Sargo—Science Teacher, Burlington-Edison School District
- Nancy Baldwin—Retired

Representing School Employees' Retirement System members:

- Judi Owens—Head Secretary Maintenance Department, Central Valley School District
- Virginia "Gini" Drummond—Personnel Report Technician, Tacoma School District
- Marian Harrison—Retired

Representing Deferred Compensation Program Participants:

- Kathy Whitlock—Retired

Can be contacted through DRS. See information on page 11.

DRS Advisory Committee

Serves in an advisory role to the director of DRS on retirement administrative issues. Advisory Committee membership is distributed in the following manner:

The committee consists of 12 members representing active and retired members of the retirement systems administered by DRS.

Committee Membership

(June 30, 2002)

PERS

Christopher Melly
Active

John I. Payne
Active

Mary L. Sherman
Active

Marian Harrison
Retired

LEOFF

Dick Hybak
Active
(law enforcement officer)

Patrick McElligott
Active
(firefighter)

Richard Warbrouck
Retired

TRS

Thomas F. Bettis
Active
(administrator)

Todd Beese
Active
(teacher)

Nancy Baldwin
Retired

WSPRS

Captain Lowell Porter
Active

JRS

Judge Donald Haley
Active

Can be contacted through DRS. See information on page 11.